

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BLUE GRASS ENERGY)	
COOPERATIVE CORPORATION FOR AN ORDER)	
AND CERTIFICATION OF PUBLIC CONVENIENCE)	
AND NECESSITY AUTHORIZING APPLICANT)	
(1) TO EXECUTE RESTATED MORTGAGE AND)	
SECURITY AGREEMENT DATED SEPTEMBER 1,)	
2004 WITH NATIONAL RURAL UTILITIES)	CASE NO.
COOPERATIVE FINANCE CORPORATION AND)	2004-00371
UNITED STATES OF AMERICA (RURAL UTILITIES)	
SERVICE) PURSUANT TO KRS 278.300)	
AND (2) TO EXCLUDE FROM PSC JURISDICTION)	
THE RUS LOAN CONTRACT AND MORTGAGE)	
NOTE WITH UNITED STATES OF AMERICA)	
(RURAL UTILITIES SERVICE) PURSUANT TO)	
KRS 278.300(10))	

O R D E R

On September 21, 2004, Blue Grass Energy Cooperative Corporation ("Blue Grass") filed an application for approval of a "Restated Mortgage and Security Agreement" ("Restated Mortgage") dated September 1, 2004 in favor of the Rural Utilities Service ("RUS") and the National Rural Utilities Cooperative Finance Corporation ("CFC"). Blue Grass also requested that the Commission find, pursuant to KRS 278.300(10), that a proposed loan from RUS to Blue Grass in the amount of \$29,281,000 is exempt from Commission approval. The proceeds from the proposed

RUS loan will be used to finance Blue Grass's 2004-2005 Work Plan,¹ which was approved by the Commission today.

Blue Grass stated that it was not requesting approval of the mortgage note and loan contract with RUS because RUS is an agency of the federal government with supervisory authority over evidences of indebtedness. Pursuant to KRS 278.300(10), any evidences of indebtedness that are subject to the supervisory authority of a federal agency are exempt from Commission approval. Blue Grass further stated that it was requesting approval of the Restated Mortgage because CFC is a party to that document. CFC is neither controlled by, nor an agency of, the federal government and, consequently, the exemption set forth in KRS 278.300(10) is not applicable to CFC.

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. RUS is an agency of the federal government with supervisory authority over evidences of indebtedness and, under KRS 278.300(10), the mortgage note and loan contract with RUS is exempt from Commission approval.

2. The Restated Mortgage reflects existing debt Blue Grass owes CFC that was previously approved by the Commission and does not involve the issuance of new CFC debt to Blue Grass.

3. The Restated Mortgage in favor of RUS and CFC is for a lawful object within the corporate purposes of Blue Grass, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public, will not

¹ Case No. 2004-00251, Application of Blue Grass Energy Cooperative Corporation for a Certificate of Convenience and Necessity for Its 2004-2005 Construction Work Plan, final Order dated November 15, 2004.

impair its ability to perform that service, is reasonable, necessary, and appropriate for such purposes, and should be approved.

IT IS THEREFORE ORDERED that Blue Grass is authorized to execute the Restated Mortgage in favor of RUS and CFC in accordance with the terms and conditions described in Blue Grass's application.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 15th day of November, 2004.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end, positioned above a horizontal line.

Executive Director